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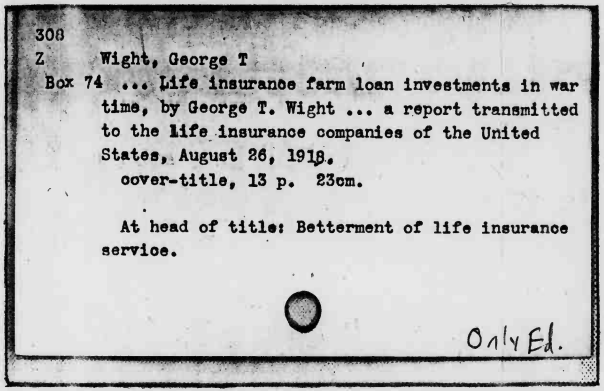

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Betterment of Life Insurance Service

LIFE INSURANCE FARM LOAN INVESTMENTS IN WAR TIME

BY

GEORGE T. WIGHT

Secretary and Manager, Association of Life Insurance Presidents,
New York, N. Y.

A Report Transmitted to the
LIFE INSURANCE COMPANIES OF THE UNITED STATES
August 26, 1918

1 April, 1920 – C.R.W.

LIFE INSURANCE FARM LOAN INVESTMENTS IN WAR TIME

To the Life Insurance Companies of the United States:

In the belief that such data would be helpful in emphasizing the value of the institution of life insurance to our nation in war and in illustrating especially its helpfulness in the production of food stuffs through its investments, the life insurance companies of this country were requested sometime since by the Association of Life Insurance Presidents to furnish statistics concerning their real estate mortgage loans subsequent to the compilation which dealt with the situation at the end of 1914. The companies were asked, in particular, to segregate from such mortgages the portion solely devoted to the development of agriculture; that is, the farm loans. The response to this appeal for co-operation was generous and widespread. In reporting back to the companies the Association herewith submits a compilation covering the further and more recent experience of companies owning more than 97½ per cent. of all outstanding mortgages held by life insurance companies.

REMARKABLE INCREASE IN REAL ESTATE MORTGAGE LOANS.

The decade ending with 1914 showed some noteworthy changes in the character of investments held by American life insurance companies for the maturity of obligations to policyholders. Chief among these was the remarkable increase in the amount of real estate mortgages,—these being more than one-third of the entire assets held, as contrasted with one-fourth ten years before. In order to complete the inquiry as to the causes back of this increase, it was necessary to obtain information concerning the distribution of these mortgages between farm and city property. The official reports do not show such a subdivision. This led at that time to

the making of a compilation by the Association, giving this segregation for the 1914 figures. That compilation, however, being the first of its kind did not afford means of measuring the trend between farm and city mortgage loans. With the later figures now submitted by the companies, following the same segregation as to city and farm loans, opportunity is presented for an examination and analysis of the distinct tendency in recent years in the investment end of the business towards farm mortgages.

The companies have submitted their data in two classifications. One shows the net increase in their real estate mortgage loans for the two years ending with 1916. The other group of figures, still more recent, deals with the new real estate mortgage loans made during the first nine months of 1917, but it does not show the net increases during this shorter period.

CHARACTER OF LIFE INSURANCE INVESTMENTS GENERALLY.

In order to obtain the perspective of the new farm mortgage statistics furnished by the companies, it may be in point first to look for a moment at the general picture into which they fit, as portrayed by Table A, showing the character of the investments of all American companies for more than a decade.

TABLE A

ASSETS OF AMERICAN LIFE INSURANCE COMPANIES

				Percentage of Total Assets		
	Dec. 31, 1904	Dec. 31, 1914	Dec. 31, 1916	1904	1914	1916
Real Estate	$ 180,875,035	$ 171,173,551	$ 173,964,782	7.24	3.47	3.14
Real Estate Mortgages	671,577,813	1,706,365,405	1,892,607,916	26.88	34.58	34.18
Bonds	1,057,027,851	1,981,751,698	2,309,218,646	42.69	40.16	41.71
Stocks	172,582,975	82,552,532	83,364,248	6.91	1.67	1.51
Collateral Loans	42,715,261	20,351,766	14,965,709	1.71	.41	.27
Policy Loans and Premium Notes	189,738,779	735,348,014	786,576,564	7.59	14.90	14.20
Cash	104,027,124	95,160,368	109,634,423	4.16	1.93	1.98
Deferred Premiums	45,879,455	68,832,680	78,932,793	1.83	1.39	1.43
All Other Assets	24,636,705	73,716,779	87,342,402	.99	1.49	1.58
Total Admitted Assets	$2,499,060,998	$4,935,252,793	$5,536,607,483	100	100	100

This table is for all American companies whose figures were tabulated in the *Insurance Year Book* for the respective dates given. The investments are divided into the classes under which they appear in the official reports, all real estate mortgages being grouped under one item and therefore not showing the segregation provided for by the companies in the special compilations referred to. The changes wrought in the general character of life insurance investments during the decade ending with 1914 as well as the further

developments of the two years ending with 1916 are indicated. These figures show that the radical trend toward real estate mortgage loans that stood out as the dominant feature of the period from 1904 to 1914 is still noticeable in the experience of the companies in 1915 and 1916. The mortgage loans increased from $670,000,000 in 1904 to $1,700,000,000 in 1914 or more than 150 per cent. Where in 1904 they amounted to 27 per cent. of all assets they jumped to 34½ per cent. in 1914. Two years later we find them about $190,000,000 more, although there is a very slight downward fluctuation in their ratio to total assets. Side by side with this remarkable growth in real estate mortgages as a favorite life insurance investment we find a slight reduction in the proportion of railroad and other classes of corporate bonds held, to total investments. Grouping together the two periods covered by this table, making twelve years in all, we find the rate of increase in the case of mortgages (182 per cent.) is much larger than the rate of increase (116 per cent.) for corporation bonds. In fact the relative increase of investments in mortgage loans was greater than that in any other class of securities in the above table, except "policy loans and premium notes," and the relatively minor item of "all other assets." The increase or decrease in policy loans, of course, is dependent on the calls of policyholders,—not on the discretion of investing officials.

When the 1914 figures showing the subdivision of the real estate mortgages into farm and city loans were obtained it was disclosed that the farm mortgage loans amounted to $655,000,000 or 39 per cent. of all mortgage loans held by American life insurance companies. This was 38 per cent. of all farm mortgage loans reported by the United States Census of 1910 and $100,000,000 more than the total amount of the farm mortgage loans credited to all banks and trust companies by the Comptroller of the Currency in 1914. It is thus evident that the life insurance companies, before the outbreak of the present World War, were a leading factor in the agricultural development of the United States.

INCREASING TREND TOWARD FARM LOANS.

The new data compiled herein was contributed by 165 American companies owning more than 97½ per cent. of all outstanding life insurance mortgages. All except six of these companies segregated these investments by states in their reports. Table B discloses that the life companies during 1915 and 1916 increased their farm mort-

gages in round figures from 655 millions of dollars to 845 millions, a net increase of 190 millions. The rate of increase for this two-year period for farm mortgage loans is 29 per cent. The rate of increase of all assets of life companies for the same period is 12 per cent. It is seen, therefore, that farm mortgage loan investments of life insurance companies have recently increased at a rate two and a half times as great as the concurrent rate of increase of their assets generally. During the same period there was a 2 per cent. reduction—$20,000,000—in the amount of money loaned on real estate mortgages on other than farm property.

An analysis of the new data therefore indicates clearly, in this decided change in the character of their investments, that the American life insurance companies have been a very positive factor in the increase in the production of foodstuffs demanded by the conditions created by the World War and, further, may indicate a change in their investments of a permanent character. As real estate mortgage loans amount to nearly two billion dollars, or more than one-third of the total securities held for the maturity of obligations to policyholders, this readjustment has a real significance in the economic progress of the country. The change noted is the very distinct trend from city real estate mortgage loans to farm loans. While this change had set in sometime before the beginning of hostilities in August, 1914, the statistics show a noteworthy speeding up of the process during the two-year period of 1915 and 1916. If this trend has continued at the same relative rate, farm mortgages to-day form more than one-half of all the real estate mortgage loans held by such companies.

TABLE B

MORTGAGE LOANS ON FARMS AND OTHER REAL PROPERTY

Held by American Life Insurance Companies in the Various Groups of States and in Foreign Countries, December 31, 1914, and December 31, 1916

The figures for 165 companies in 1916 are given in bold face type. The figures for 148 companies in 1914 are in Roman. The increase of 1916 over 1914 and the per cent. of increase are given in Italics (a decrease is indicated by a minus sign).

The 165 companies in 1916 held 97.56 per cent. of all the mortgages owned by all American life insurance companies in 1916 and the 148 companies held 98.25 per cent. of the total owned by all American companies in 1914. Six of these companies in 1916 and twenty-two in 1914 did not report their mortgage investments by states; their totals only are included.

	Farm Loans	% of Total	Loans on Other Real Property	% of Total	Total Real Estate Mortgage Holdings
New England:					
Maine, N. H., Vermont, Mass., R. I., Conn.	$ 76,150 104,875	.47 .56	$ 16,079,833 18,387,384	99.53 99.44	$ 16,155,983 18,492,259
Decrease	*—28,725*	*—27.38*	*—2,307,551*	*—12.55*	*—2,336,276*
Middle Atlantic:					
New York, New Jersey, Pa., Del., Maryland, District of Columbia	1,136,831 827,171	.19 .13	584,411,702 598,336,948	99.81 99.87	585,548,533 599,164,119
Increase	*309,660*	*37.43*	*—13,925,246*	*—2.33*	*—13,615,586*
Central Northern:					
Ohio, Mich., Indiana, Illinois, Wisconsin	136,433,266 116,800,717	53.34 49.63	119,338,117 118,533,747	46.66 50.37	255,771,383 235,334,464
Increase	*19,632,549*	*16.80*	*804,370*	*0.679*	*20,436,919*
South Atlantic:					
Va., W. Va., N. C., S. C., Ga., Florida	30,245,528 20,433,173	37.79 31.70	49,762,731 43,982,393	62.21 68.30	80,008,259 64,415,566
Increase	*9,812,355*	*48.02*	*5,780,338*	*13.14*	*15,592,693*
Gulf and Mississippi Valley:					
Ala., Miss., Tenn., Ky., Louisiana	32,262,986 20,870,348	52.01 44.02	29,764,387 26,543,483	47.99 55.98	62,027,373 47,413,831
Increase	*11,392,638*	*54.58*	*3,220,904*	*12.13*	*14,613,542*
Southwestern:					
Missouri, Arkansas, Texas, Kansas, Colo., New Mexico, Okla.	233,590,106 187,204,378	81.05 76.05	54,598,000 58,966,102	18.95 23.95	283,188,106 246,170,480
Increase	*46,385,728*	*24.77*	*—4,368,102*	*—7.41*	*42,017,626*
Northwestern:					
Iowa, Minn., Neb., N. D., S. D., Wyoming, Montana	370,493,603 284,118,815	88.45 86.05	48,363,286 46,094,189	11.55 13.95	418,856,889 330,213,004
Increase	*86,374,788*	*30.40*	*2,269,097*	*4.92*	*88,643,885*
Pacific:					
Wash., Oregon, Calif., Nev., Idaho, Arizona, Utah	24,330,397 16,601,908	26.12 19.72	68,825,445 67,603,321	73.88 80.28	93,155,842 84,205,229
Increase	*7,728,489*	*46.55*	*1,222,124*	*1.80*	*8,950,613*
Total	$828,568,857 646,961,385	46.04 39.80	$971,143,501 978,447,567	53.96 60.20	$1,799,712,368 1,625,408,952
Increase	*181,607,482*	*28.07*	*—7,304,066*	*0.74*	*174,303,416*
* 6 Cos. Totals	$16,262,482	87.78	$2,264,730	12.22	$18,527,212
*22 " "	7,689,118	33.84	15,032,599	66.16	22,721,717
TOTAL AMERICAN	$844,831,349 654,650,505	46.46 39.72	$973,408,231 993,480,170	53.54 60.28	$1,818,239,580 1,648,130,675
Increase	*190,180,844*	*29.05*	*—20,071,939*	*—2.02*	*170,108,905*
Porto Rico and Foreign:					
Porto Rico, Austria, Australia, Canada, Cuba, France, Germany, Mexico	$165,956 185,836	.59 0.64	$28,161,524 28,786,955	99.41 99.36	$28,327,480 28,971,791
Decrease	*—19,880*	*—10.69*	*—624,431*	*—2.16*	*—644,311*
GRAND TOTAL	$844,997,305 654,836,342	45.76 39.04	$1,001,569,755 1,022,266,125	54.24 60.96	$1,846,567,060 1,677,102,467
Increase	*190,160,963*	*29.04*	*—20,696,370*	*—2.02*	*169,464,593*

*Reported to us in aggregate separations of farm loans from other loans but not in separations by states or groups of states.

The statistical history of the two-year period, in which such important changes have been wrought, is reflected in part in Table B. This shows the geographical distribution of both the farm and city mortgages for 1915 and 1916. The great agricultural sections of the country were those which attracted most of the new farm mortgage money of the life insurance companies during these two years, the Northwest leading with $86,000,000, an increase of 30 per cent.; the Southwest shows an increase of $46,000,000, or nearly 25 per cent.; the Central Northern, $19,000,000, or 16.8 per cent.; the Gulf and Mississippi Valley, $11,000,000, or 54 per cent., which is the highest rate of increase in any section of the country. The South Atlantic shows an increase of $9,800,000, or 48 per cent. It thus appears that while the largest amounts of money have gone into the Northwest and Southwest, the rate of increase has been greatest south of the Potomac and Ohio Rivers, and east of the Mississippi.

As compared with these great increases in farm investments, the loans on other real property showed decreases in three geographical divisions, viz., the New England, Middle Atlantic, and Southwestern groups. There were small increases in the others, the largest being in the South Atlantic and the Gulf and Mississippi Valley.

The intimate connection between life insurance farm mortgage investments and the vital question of food production for ourselves and our allies is indicated in Table C.

TABLE C

FARM MORTGAGE LOANS AND FARM PRODUCTION BY STATES

In the following table, the amount of farm loans by American life insurance companies outstanding December 31, 1916, is arranged by states in the order of amount loaned. The increase or decrease over amount outstanding in 1914, and the loans made during the first nine months of 1917 are also given. The loans made in 1917 are *new* loans, without regard to the amount that may have been paid off in these states during the same time.

The five year average in farm production given is the number of bushels of the six war food crops—wheat, corn, oats, rye, rice, and potatoes, both white and sweet.

FARM LOANS BY 159 AMERICAN LIFE INSURANCE COMPANIES

States in Order of Amount Loaned	Outstanding Dec. 31 1916	Increase or Decrease over 1914	Loans Made 1st 9 mos. 1917	Farm Productions, Five Year Average, 1913 to 1917, Inclusive Bushels
1. Iowa	$195,782,521	$56,271,420	$61,152,392	579,046,000
2. Missouri	73,528,633	15,121,833	16,581,104	247,085,000
3. Kansas	70,043,115	9,647,667	13,291,741	257,077,000
4. Nebraska	65,602,706	3,212,313	12,595,164	336,425,000
5. Indiana	56,600,179	9,586,031	9,900,419	281,541,000
6. Illinois	55,142,033	5,200,274	10,661,114	552,273,000
7. Texas	49,242,811	16,999,955	12,514,803	203,316,000
8. Minnesota	43,700,060	9,718,767	12,688,443	282,361,000
9. South Dakota	41,067,023	14,116,246	11,154,806	190,582,000
10. Oklahoma	31,037,632	2,981,324	5,078,503	122,619,000
11. Ohio	19,534,143	2,945,206	4,545,799	249,589,000
12. Georgia	19,389,192	4,560,869	2,928,026	88,213,000
13. North Dakota	18,452,915	310,057	3,730,002	165,830,000
14. Tennessee	13,701,757	4,315,742	3,016,489	107,393,000
15. California	12,870,435	4,134,180	2,178,061	29,753,000
16. Kentucky	10,049,151	3,766,459	2,490,771	118,879,000
17. South Carolina	5,969,247	2,391,770	1,213,773	53,959,000
18. Montana	5,506,916	2,606,458	1,502,530	54,526,000
19. Arkansas	5,439,700	1,588,095	1,082,433	72,700,000
20. Idaho	3,660,748	906,494	875,020	34,698,000
21. Alabama	3,603,149	2,500,836	1,590,093	80,896,000
22. Mississippi	3,387,415	667,591	1,566,229	76,181,000
23. Washington	3,295,898	904,117	978,989	66,083,000
24. North Carolina	3,263,953	1,788,943	1,045,882	82,849,000
25. Wisconsin	3,011,852	1,008,108	987,207	180,857,000
26. Colorado	2,538,159	—407,157	317,450	41,170,000
27. Oregon	2,261,730	1,153,818	936,989	39,101,000
28. Michigan	2,145,659	892,933	647,978	154,552,000
29. New Mexico	1,760,056	454,014	453,920	7,221,000
30. Utah	1,692,674	500,072	299,878	15,360,000
32. Virginia	1,197,997	142,012	344,055	66,399,000
31. Louisiana	1,521,514	552,547	151,904	94,802,000
33. Maryland	601,323	178,323	52,500	43,007,000
34. Arizona	543,912	136,310	20,000	2,136,000
35. Wyoming	381,462	139,515	29,400	15,312,000
36. Florida	350,454	284,450	165,350	16,792,000
37. Pennsylvania	180,725	—150,431	73,750	149,842,000
38. New York	180,268	169,318	35,900	107,990,000
39. New Jersey	111,165	94,200	.....	29,522,000
40. West Virginia	74,685	33,778	78,000	36,016,000
41. Delaware	55,350	10,250	16,000	10,710,000
42. Maine	47,400	41,450	.....	33,236,000
43. Massachusetts	11,500	1,400	1,000	6,004,000
44. Vermont	10,250	—3,525	.....	8,393,000
45. Dist. of Columbia	8,000	8,000	.....	.....
46. Connecticut	7,000	—68,000	17,500	6,435,000
47. Nevada	5,000	—6,500	130,000	4,244,000
48. New Hampshire	.....	.....	.....	3,477,000
49. Rhode Island	.....	.....	.....	1,140,000
Total	$828,568,867	$181,607,482	$199,121,367	5,407,592,000

NINETEEN STATES RECEIVE BULK OF FARM LOAN FUNDS.

The foregoing table shows in detail the amount of farm loans in each state at the end of 1916 and the increase that took place during the two years of 1915 and 1916; also the new loans, totaling $200,000,000, made during the first nine months of 1917. With regard to the latter data, it should be noted that the amounts carried represent the new loans placed during these nine months without allowance for decreases by payment of matured mortgages, pre-payments, etc., during the same period.

From this table it appears that the banner state, so far as life insurance farm loans are concerned, is Iowa, with $195,782,000 at the end of 1916. It will be well to bear in mind, as we proceed, that the states in which the companies had loaned more than $5,000,000 each, up to the end of 1916, in the order of amount outstanding, are:

Iowa,	Ohio,
Missouri,	Georgia,
Kansas,	North Dakota,
Nebraska,	Tennessee,
Indiana,	California,
Illinois,	Kentucky,
Texas,	South Carolina,
Minnesota,	Montana,
South Dakota,	Arkansas.
Oklahoma,	

With the exception of North Dakota, all these nineteen states also show large increases over 1914. Four states not included in the foregoing list show increases of more than $1,000,000 in those two years, these states being, in the order of amount, Alabama, North Carolina, Oregon and Wisconsin. The group of nineteen states above given also includes all but three of the states in which the companies loaned more than a million dollars during the first nine months of 1917.

RESPONSE OF INSURANCE MONEY TO NATION'S NEEDS.

It is, of course, more than a mere coincidence that over 95 per cent. of the total life insurance farm mortgages and nearly 95 per cent. of the increase shown in 1916 over 1914, and 94 per cent. of the new loans of 1917 are all located in this group of states containing about 50 per cent. of the area, 47 per cent. of the population and

48.8 per cent. of the wealth of the country as estimated by the United States Census Bureau. This is evidence of a logical and consistent response by life insurance mortgage loan money to the natural economic law of supply and demand. Without the additional facts that will be given presently to illuminate and corroborate this statement, these aggregate percentages indicate that for a long period of years these life insurance funds had flowed to the great agricultural producing sections, thereby aiding in increasing their efficiency; that when the World War increased the demand for American foodstuffs the expansion in supply came largely from those sections, and that the life insurance companies were quick to respond to the need by diverting still larger amounts from their reserve funds to loans in those districts best able to increase their productivity.

Returning, for the moment, to the list of nineteen states, we find seven of them east of the Mississippi River, namely: Ohio, Indiana, Illinois, Kentucky, Tennessee, Georgia and South Carolina. These states have only about 21 per cent. of the outstanding farm loans, leaving the great volume of loans, over 74 per cent., in the West, the greatest food producing and exporting region of the world. Other states produce food for themselves in greater or less degree, but it is from the Great West that the excess food production comes which must feed our armies and those of our allies during the war.

POLICYHOLDERS' FUNDS INCREASE FARM PRODUCTIVITY.

In order to show in close proximity the connection between life insurance mortgage loans and the food production of the country, I have included in Table C a column giving for each state the combined average annual production for the years 1913 to 1917, of what may be safely termed the six great staple food crops of the country, namely, wheat, corn, oats, rye, rice and potatoes. These are essential foods which must be produced in undiminished quantity in war times especially. This table shows that the nineteen states having the great bulk of life insurance farm mortgage money produce nearly seventy-five per cent. of the country's essential food crops. In addition, according to the *Agricultural Year Book*, these nineteen states produce nearly 80 per cent. of the food live stock (cattle, hogs and sheep) of the country. It, therefore, appears that the life insurance companies have loaned about 95 per cent. of their farm mortgage money in the states that contribute approximately three-quarters of the bulk of the country's staple food production,—

a production that is now being shared with the countries of our allies more than ever before.

ADAPTABILITY OF LIFE INSURANCE FUNDS.

Although the figures show that the life insurance companies have largely increased the amount of their farm loans generally and have decreased their loans on city property, it is not claimed that the companies have at any time deliberately determined to change their real estate mortgage loaning policy on account of the war needs. Rather, the significance of the change is that the institution of life insurance, always a forceful factor in the intricate commercial life of the nation, has responded and is responding, without conscious effort, naturally and effectively, to economic conditions caused by our participation in the World War. In this, on the investment side of the business as in its other branches, in time of great strain, life insurance is running true to form.

Summing up the changes in the character of all real estate mortgage loan investments of life insurance companies we see, from the various statistics reproduced, first a distinct trend toward such investments generally in the decade ending with 1914, their amount increasing to a total two and one-half times greater than the original sum, and now, with the segregated figures of 1916 at hand, we find a very noticeable trend toward farm mortgages in the period from 1914 to 1916.

In addition to the above figures as to volume and distribution of farm and city mortgages, the companies contributed statistics as to the rate of interest received on the greater bulk of both kinds of loans. This information, covering the farm loan group of mortgage investments, but not the city loans, is reproduced in Table D.

TABLE D

FARM MORTGAGE LOANS AND INTEREST RATES OF AMERICAN LIFE INSURANCE COMPANIES, DEC. 31, 1914, AND DEC. 31, 1916, COMPARED

Farm mortgage loans with average interest rates received by American life insurance companies December 31, 1914 and 1916, and *new* loans made during the first nine months of 1917, arranged in the order of amount outstanding in the various States in 1916. The number in parentheses preceding 1914 loans indicates the numerical order in amount of loans in 1914. The loans made during the first nine months of 1917 include all *new* loans made without taking account of any amounts paid or reduced during the same time. Number of companies in 1914, 126, whose mortgage loans amounted to 97 per cent. of all mortgage loans held by American companies. Number of companies in 1916, 159, whose total mortgage loans amounted to 95.09 per cent. of all mortgage loans held by American companies. The interest rates given are the averages of rates reported by companies on about 75 per cent. of loans outstanding in 1914 and 1916 and on over 50 per cent. of *new* loans made in 1917.

States in Order of Amount Loaned	Farm Loans by Insurance Companies, Dec. 31, 1916		Farm Loans by Insurance Companies, Dec. 31, 1914			Loans by 159 American Life Insurance Companies, Jan. 1st to Sept. 30, 1917	
	Amount	Average Interest Rate		Amount	Average Interest Rate	Amount	Int. Rate
1. Iowa	$195,782,521	5.28	(1)	$139,511,101	5.32	$61,152,392	5.18
2. Missouri	73,528,633	5.31	(4)	58,406,800	5.35	16,581,104	4.95
3. Kansas	70,043,115	5.49	(3)	60,395,448	5.46	13,291,741	5.27
4. Nebraska	65,602,706	5.41	(2)	62,390,393	5.34	12,595,164	5.34
5. Indiana	56,600,179	5.42	(6)	47,014,148	5.31	9,900,419	5.36
6. Illinois	55,142,033	5.23	(5)	49,941,759	5.16	10,661,114	5.08
7. Texas	49,242,811	7.07	(8)	32,242,856	6.99	12,514,803	6.37
8. Minnesota	43,700,060	5.33	(7)	33,981,293	5.36	12,688,443	5.27
9. South Dakota	41,067,023	5.47	(10)	26,950,777	5.44	11,154,806	5.50
10. Oklahoma	31,037,632	5.95	(9)	28,056,308	5.91	5,078,503	5.89
11. Ohio	19,534,143	5.34	(12)	16,588,937	5.30	4,545,799	5.47
12. Georgia	19,381,192	6.22	(13)	14,828,323	6.28	2,928,026	5.84
13. North Dakota	18,452,915	5.70	(11)	18,142,858	5.88	3,730,002	5.63
14. Tennessee	13,701,757	5.69	(14)	9,386,015	5.56	3,016,489	5.75
15. California	12,870,435	6.30	(15)	8,736,255	6.42	2,178,061	6.29
16. Kentucky	10,049,151	5.41	(16)	6,282,692	5.41	2,490,771	5.76
17. South Carolina	5,969,247	6.74	(18)	3,377,477	6.47	1,213,773	6.13
18. Montana	5,506,916	7.58	(20)	2,900,458	7.29	1,502,530	7.14
19. Arkansas	5,435,700	6.81	(17)	3,851,605	6.99	1,082,433	5.80
20. Idaho	3,660,748	8.12	(21)	2,754,254	8.53	875,020	6.64
21. Alabama	3,603,149	7.05	(31)	1,102,313	7.34	1,590,093	6.34
22. Mississippi	3,387,415	6.90	(22)	2,719,824	6.99	1,566,229	5.88
23. Washington	3,295,898	6.59	(23)	2,391,781	6.97	978,989	6.40
24. North Carolina	3,263,953	5.99	(25)	1,475,010	5.79	1,045,882	5.65
25. Wisconsin	3,011,852	5.50	(24)	2,003,744	5.53	987,207	5.78
26. Colorado	2,538,159	6.99	(19)	2,945,316	6.92	317,450	6.71
27. Oregon	2,261,730	6.86	(30)	1,107,912	6.66	936,989	6.42
28. Michigan	2,145,059	5.72	(28)	1,252,126	5.41	647,978	5.88
29. New Mexico	1,760,056	7.52	(26)	1,306,042	7.35	453,920	7.65
30. Utah	1,692,674	8.42	(29)	1,192,602	6.74	299,878	7.53
31. Louisiana	1,521,514	7.18	(26)	1,379,502	7.64	344,055	6.97
32. Virginia	1,197,997	5.99	(3	645,450	6.00	151,904	6.00
33. Maryland	601,323	5.80	(33)	423,000	5.84	52,500	5.00
34. Arizona	543,912	7.04	(34)	407,602	7.20	20,000	6.08
35. Wyoming	381,462	7.97	(36)	241,947	7.71	29,400	7.43
36. Florida	350,454	6.21	(38)	66,004	6.00	165,350	6.00
37. Pennsylvania	180,725	5.64	(34)	331,156	5.75	73,750	5.87
38. New York	180,268	5.59	(44)	10,950	5.56	35,900	6.00
39. New Jersey	111,165	5.52	(41)	16,965	6.00	.....	....
40. West Virginia	74,685	5.95	(40)	40,907	5.70	78,000	6.00
41. Delaware	55,350	5.91	(39)	45,100	5.97	16,000	6.00
42. Maine	47,400	6.00	(46)	5,950	5.80	.....	....
43. Massachusetts	11,500	5.00	(45)	10,100	5.19	1,000	5.00
44. Vermont	10,250	5.22	(42)	13,775	5.26	.....	....
45. Dist. of Columbia	8,000	6.00	(47)	.....	....	.....	....
46. Connecticut	7,000	5.00	(37)	75,050	5.26	17,500	5.00
47. Nevada	5,000	....	(43)	11,500	8.00	130,000	6.00
48. New Hampshire	.....	....	(48)	.....	....	.....	....
49. Rhode Island	.....	....	(49)	.....	....	.....	....
Total	$828,568,867	5.63		$646,961,385	5.55	$199,121,367	5.52

REASONABLE INTEREST RATES.

An examination of this table indicates the fairness of the charge made for the use of life insurance money in agricultural development. The average interest rates received were reported by the companies on about 75 per cent. of the farm loans outstanding at the end of 1916 and on over 50 per cent. of the new loans made in 1917. From this data it appears that the average rate on farm mortgages increased slightly throughout the country between the years 1914 and 1916, viz: From 5.55 per cent. in 1914 to 5.63 per cent. in 1916; but that the average rate throughout the country on the 200 millions of loans made in the first nine months of 1917 dropped to 5.52 per cent. This rate of 5.52 per cent. was on loans made up to September 30th only and complete statistics for the year would doubtless show a higher average rate, for the reason that the interest returns on the market value of stocks and bonds have risen materially since that date, indicating an increase in the value of the use of money. The Federal Farm Loan Board recognized this fact by raising, in December of 1917, the rate to the farmer to 5½ per cent., or within two-tenths of 1 per cent. of the average rate received by life insurance companies for the first nine months of 1917.

It is also worthy of special comment that in 14 states containing over 77 per cent. of the life companies' outstanding farm mortgages in this country at the end of 1916, the average interest rate received by the companies was 5½ per cent. or less. Examining the 1917 loans, we find that there were twelve states in which the average rate of interest up to September 30th was 5½ per cent. or less, and that 76 per cent. of all the 1917 loans were made in these twelve states.

As indicated earlier in this report, the real estate mortgages, both farm and city, held by life insurance companies amounted to nearly two billions of dollars in a total of assets amounting to five and one-half billions at the end of 1916. In applying to the situation as it stands to-day the information disclosed by the statistics as to life insurance's contribution to the country's food production, it should be borne in mind that the total assets have since grown beyond six billions with, of course, a corresponding substantial increase in the amount of mortgage loans.

COLLECTIVE FORCE OF SMALL SAVINGS FUNDS.

It is well to remember that these two billions of real estate mortgage loans, as well as the other four billions of investments, which make up the life insurance companies' total assets, is not money

loaned by any capitalist class to the farmers and industries of the country, but that the funds so employed are simply the aggregate of small sums set aside by a vast number of frugal, thrifty and self-denying citizens for home and family protection. These six billion dollars, held to mature fifty million policies, are distributed among two hundred and forty life insurance companies domiciled throughout the country, nearly every state in the Union having one or more companies. But the true significance of the allocation of these reserve funds of life insurance policyholders is shown by comparison with other collective savings funds. Where the average individual savings bank deposit and the average building and loan association deposit is $475, the average amount held in reserve for each outstanding life insurance policy is only $100. If we eliminate the large bulk of industrial life insurance policies and compute the average amount held in reserve for ordinary life insurance policies, we find it to be $333, one-fourth less than the average savings bank and the average building and loan association deposit.

ECONOMIC SERVICE OF RESERVE FUNDS.

It has long been recognized that the collective force of these life insurance funds, made up of the small savings of many individuals, has been a potent factor in the commercial and industrial development of the nation. The statistics presented above as to farm mortgage loans illustrate clearly that an increasingly larger proportion of these same funds is now actively participating and assisting in the agricultural expansion made necessary to answer the country's present need. In doing this they are performing an essential service and at returns which by no possibility can be criticized as profiteering. It must be a satisfying and comforting thought to trustees and policyholders alike that the institution of life insurance, which has had its fullest development in the United States in times of peace, and which was founded primarily on the assumption that its millions of policyholders would be following peaceful pursuits, nevertheless, by its inherent strength and financial adaptability has been able so readily to respond to the economic needs of our country and its allies when the strain of war is upon us.

Respectfully submitted,

GEORGE T. WIGHT,
Secretary and Manager,
Association of Life Insurance Presidents.

New York, August 26, 1918.

END OF
TITLE